Question #1 of 18

The *most likely* consequence of the high income distribution that REITs are required to make is:

A) dividend yields that are nearly on-par with the yields of other publicly traded equities.

B) high volatility of reported income.

C) frequent secondary equity offerings compared to other kinds of companies.

Question #2 of 18

Mortgage REITs:

A) take ownership positions in income-producing real estate.

B) are the most common form of REITs.

C) have a smaller total market value than do equity REITs.

Question #3 of 18

Patricia Ly, CFA is a portfolio manager who wishes to add diversification to her portfolio through the addition of a real estate investment. Ly finds the following data for a particular industrial REIT:

Net operating income (NOI): $710,000

Funds from operations (FFO): $630,000

Assumed cap rate: 6%

Shares outstanding: 90,000 shares

Storage property average P/FFO multiple: 13x.

Industrial property average P/FFO multiple: 10x.

Ly decides to perform a valuation on this REIT. The value per share of this REIT using a price-to-FFO approach is closest to:

A) $112

B) $91

C) $70

Question #4 of 18

Compared with REITs, real estate operating companies (REOCs) are *most likely* to feature higher:

A) operating flexibility.

B) yields.

C) levels of income tax exemption.

Question #5 of 18

Which of the following types of REITs is more common in Europe and Asia than in the United States?

A) Multi-family / Residential REITs

B) Diversified REITs

C) Industrial REITs

Question #6 of 18

Which of the following *least accurately* identifies a type of publicly traded real estate security?

A) Operating companies

B) Direct mortgage lending

C) Investment trusts

Question #7 of 18

Which of the following *most accurately* identifies one of the disadvantages of investing in real estate through publicly traded securities? Compared to other real estate investment vehicles, publicly traded securities expose investors to:

A) inferior liquidity.

B) more-volatile returns.

C) unlimited liability.

Question #8 of 18

Retail sales growth is *most likely* to be a top economic factor affecting the economic value of a(n):

A) residential REIT.

B) health care REIT.

C) industrial REIT.

Question #9 of 18

When calculating NAVPS, a real estate company's assets and liabilities are valued at their:

A) market value.

B) book value.

C) liquidation value.

Question #10 of 18

Which of the following *most accurately* identifies one of the advantages of investing in real estate through publicly traded securities?

A) Structural conflicts of interest are eliminated.

B) Publicly traded corporate structures cost less to maintain.

C) Diversification by geography and property type is facilitated.

Question #11 of 18

Which of the following is an expense normally deducted from accounting net earnings but not from FFO?

A) Property operating expenses

B) Depreciation expense

C) Property taxes

Question #12 of 18

The net asset value approach to valuation makes sense for REITs because:

A) NAV equals the value that public equity investors attach to a REIT.

B) there exist active private markets for real estate assets.

C) the price at which a REIT trades very closely tracks NAV.

Question #13 of 18

Which of the following is *most likely* to represent a publicly traded real estate debt investment?

A) A real estate operating company (REOC).

B) A mortgage real estate investment trust (Mortgage REIT).

C) Secured bank debt collateralized by real estate.

Question #14 of 18

A key difference between Funds From Operations (FFO) and Adjusted Funds From Operations (AFFO) is that AFFO excludes:

A) non-cash rent while FFO does not.

B) deferred tax charges while FFO does not.

C) depreciation while FFO does not.

Question #15 of 18

If a REIT has assets with a current market value of $3,000,000, liabilities with a current market value of $2,000,000, and 100,000 shares outstanding, what is the NAVPS per share?

A) $10.00

B) $30.00

C) $50.00

Question #16 of 18

The rate of population growth is *most likely* to be a top driver of economic value for a(n):

A) office REIT.

B) storage REIT.

C) retail REIT.

Question #17 of 18

Which of the following *most accurately* describes an approach to REIT valuation?

A) The P/FFO approach adjusts for the impact of recurring capital expenditures needed to keep properties operating smoothly.

B) The P/AFFO approach avoids estimates and assumptions in its calculation.

C) The discounted cash flow approach typically consists of intermediate-term cash flow projections plus a terminal value based on cash flow multiples.

Question #18 of 18

Mortgage REITs are publicly traded securities that make loans secured by real estate, therefore they are publicly traded debt investments. REOCs are classified as equity (not debt) securities, while bank debt is classified as a private rather than public investment. Which of the following is the *most likely* to represent an advantage of investing in publicly traded real estate securities over direct ownership of property? Publicly traded real estate securities offer:

A) lower price volatility.

B) more control over investment decisions.

C) greater liquidity.